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INFORMATION REPORT

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SUBJECT **USIA Attempt to Control Price of Czechoslovak**
25X1A **Glass Imported by Austria**

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1. [REDACTED] the following persons held a conference at the Czechoslovak Legation in Vienna:

Rudolf BUNZEL, prominent Czech business man, director of "Cechoglas" G.m.b.H. in Vienna, and of OMNIA, a trust company in Prague.

Engr. Vaclav HORCIKA, Commercial Attache at the Czechoslovak Legation in Vienna.

Maj. Juv Vladimir POKORNY, Counselor of Legation in Vienna, who speaks fluent Russian, and is said to enjoy the confidence of the Soviets.

Colonel SIDOROV, Soviet Army officer, representing USIA.

2. The conference was called at the request of Colonel SIDOROV in order to discuss deliveries of Czechoslovak glass to Austria. In accordance with a stipulation of the Austro-Czechoslovak Trade Treaty, the Czechoslovak Government has agreed to furnish Austria with glass valued at 58,000,000 Czechoslovak crowns. This amount is to include window glass worth 22,000,000 crowns. SIDOROV wanted to insure that this window glass would not be placed on the Austrian market at a price lower than that charged by USIA. The conference resulted in a proposal by SIDOROV that Czechoslovak window glass be delivered to USIA, rather than directly to Austrian firms; USIA would then resell to Austrian buyers.

3. Before giving an account of SIDOROV's proposal and ensuing discussion, [REDACTED] the window glass situation in Austria: The only factory in Austria producing window glass is the Erste Oesterreichische Maschinasindustrie A.G. at Brunn a. Gebirge, Lower Austria, which is under USIA control. This plant produces approximately 300,000 square meters of window glass per month. The Soviets retain half of the production of the Brunn factory; the other half is allocated to the Austrian economy. The Austrian allocation is purchased from the factory by USIA for 7 schillings and several groschen per square meter, and is resold to individual Austrian buyers for 14.60 schillings per square meter; thus USIA's profit amounts to approximately 7.50 schillings per square meter. Because of the low price paid for glass by USIA, the Brunn factory is in financial difficulty, and is forced to accept repeated loans from the Soviets. Any profit which remains

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to approximately 7.50 schillings per square meter. Because of the low price paid for glass by USIA, the Brunn factory is in financial difficulty, and is forced to accept repeated loans from the Soviets. Any profit which remains after deduction for interest on loans is used by the Soviets to finance their glass exports to the USSR, and also for gifts to the Austrian Communist Party.

25X1A [REDACTED] Comment: Source's authority for saying that a part of the profits of the Brunn glass factory go to the Communist Party is a statement to this effect by Counselor of Legation POKORNY.) As stated above, Czechoslovakia has promised to furnish Austria with glass; France has offered window glass to Austria at 7.80 schillings per square meter; and Belgium and Switzerland have offered to supply Austria at 8 schillings per square meter. Austria, however, is unable to import glass in sufficient quantity from these countries, and is consequently forced to buy also from USIA at an exorbitant price.

4. In the discussion at the Czechoslovak Legation, Colonel SIDOROV stated that it had come to his attention that Czechoslovakia is delivering glass to Austria for 8.20 schillings per square meter. He proposed that the Legation conclude a price agreement with USIA whereby the Czechoslovaks would not undersell USIA. BUNZEL objected on the grounds that if the Czechoslovak glass industry should agree to the Soviet proposal and sell to Austria at a price of 14.60 schillings per square meter, the Austrians, as soon as normal times return, would stop purchasing from Czechoslovakia and import instead entirely from France, Belgium, and Switzerland. This would increase the Western orientation of Austrian trade. SIDOROV replied that he understood Director BUNZEL's point, and made the following alternative proposal: The Czechoslovak glass industry could deliver glass to USIA, instead of directly to Austrian factories; USIA would pay 8.20 schillings per square meter, and it could then be a matter of indifference to the Czechoslovak industry at what price USIA might resell the glass to Austrian buyers. BUNZEL again objected, pointing out that the Austro-Czechoslovak Trade Treaty stipulated that the glass to be delivered to Austrian firms. SIDOROV, noticeably irritated, stated that USIA firms are Austrian enterprises. BUNZEL replied that the Czechoslovak glass industry would deliver to USIA firms only if requested to do so by a letter from the Austrian Ministry of Trade. Engr. HORCICKA concurred with BUNZEL. SIDOROV then announced that within a few days he would secure Minister KOLB's approval of the proposed delivery of Czechoslovak glass to USIA.

5. [REDACTED] in Vienna in honor of HORCICKA, the latter again stated to BUNZEL that he strongly opposed to Czechoslovak glass deliveries to USIA. He added that Austria would consider it an unfriendly act, and the Czechoslovak glass trade with Austria would be irreparably harmed. HORCICKA and BUNZEL decided to inform Minister KOLB of their view, asking him to refuse the Soviet demand. [REDACTED] at the request of BUNZEL and HORCICKA, Engr. Ferdinand WINTERSBERGER, director of Stoelzle Glas-industrie A.G., Vienna, saw Minister KOLB on this matter. The outcome of their discussion is not known.

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